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S E C R E T SECTION 01 OF 03 MANILA 001440

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TAGS: [OVIP](#) [PGOV](#) [PINR](#) [PREL](#) [RP](#)  
SUBJECT: SCENESETTER FOR THE VISIT OF CIA DIRECTOR LEON  
PANETTA

Classified By: Ambassador Kristie A. Kenney, Reasons 1.4 (b) and (d)

11. (S) SUMMARY: Welcome to the Philippines, Director Panetta! Your visit to Manila will underscore the special ties we share with the Philippines, a strong regional ally in the fight against terrorism. The administration of President Gloria Macapagal Arroyo is strongly pro-U.S., and committed to continued close security, intelligence and economic ties. Your visit comes at a key moment for our joint counterterrorism efforts. Philippine security and intelligence services have carried out dozens of successful operations against terrorist groups since 2002, but the security situation in central Mindanao and the Sulu Archipelago has deteriorated with the failure of peace talks with Muslim insurgents and a long-running international hostage situation. Your discussions with President Arroyo and other key national security figures can reinforce the need for a more concerted effort to revive the peace process -- and the ceasefire that accompanied it -- while undertaking more aggressive action against a few key terrorist targets. National elections scheduled for 2010 are already having a distinct impact on all levels of Philippine society, and are certain to bring increased violence, but none of the leading candidates advocate any radical departure from our existing bilateral relationship. The Philippines has felt the effects of the global financial crisis, but the banking system remains sound. END SUMMARY.

#### PHILIPPINE POLITICS

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12. (C) With less than a year left in office, President Gloria Macapagal Arroyo continues to balance competing political interests amidst economic challenges. President Arroyo has weathered numerous unsuccessful impeachment efforts and low-level military coup attempts, and her administration has been plagued by allegations of serious corruption, as well as charges her supporters are attempting to juggle the Philippine political system and Constitution to provide legal protection for Arroyo and her family after her term ends next year. With national elections scheduled for May 2010, nearly 20 Cabinet members have announced their intention to seek office, including several focused on the presidency, so national priorities are already being colored by personal political goals. Some candidates have attempted to politicize aspects of our security relationship, such as the Visiting Forces Agreement (VFA), but none of the likely presidential candidates would represent a radical departure from the status quo. While President Arroyo has ensured that all top security officials are closely allied to her, the military and policy have largely stayed out of political debates and remained focused on their roles.

#### PHILIPPINE ECONOMIC GROWTH SLOWS

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13. (U) The Philippine economy has averaged better than five percent growth for the past eight years, but under the impact

of the global financial crisis, GDP growth may be outpaced by the country's annual 2.04 percent population growth. Should the global economic downturn be prolonged, the impact on poverty in the Philippines, where more than 40 percent of the population lives on less than two dollars per day, could have a tangible impact on domestic politics. Poverty is especially severe in the Muslim areas of the southern Philippines. On the positive side, the Philippine banking system is relatively sound and not heavily exposed to risks from current global financial turmoil. The U.S. remains the Philippines' largest trading partner, with over \$17 billion in two-way trade during 2008, and is one of the largest investors, with \$6.7 billion in equity.

#### SUCCESSFUL COUNTERTERRORISM EFFORTS

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14. (S) The United States and the Philippines have scored important successes on the security cooperation and counterterrorism fronts; in the last three years, these efforts have resulted in the death or capture of a dozen key high-value terrorist leaders and over 250 other terrorism suspects. Despite persistent shortfalls in logistical assets, Philippine security forces, acting with USG technical assistance, have killed or captured numerous Abu Sayyaf Group (ASG) and Jemaah Islamiyah (JI) leaders, and disrupted ties with rogue Moro Islamic Liberation Front (MILF) elements. However, the kidnapping of three Red Cross workers in January by the ASG in Jolo, and a spate of other kidnappings-for-ransom in Mindanao, has allowed extremists to replenish coffers drained by the successful cutoff of foreign funds and bring some new recruits to their ranks. Once the

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Red Cross hostage situation is resolved, the Philippine military and police will need to significantly intensify operations to roll back the extremists' gains and deal a more decisive blow to their battered organizations. Senior Philippine officials have voiced strong support for our proposals to enhance Philippine capabilities to allow for more precise targeting of terrorists.

#### PEACE PROCESS

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15. (S) Peace talks with separatist Moro Islamic Liberation Front (MILF) insurgents remain stalled since a key peace deal was ruled unconstitutional in August 2008. The resulting fighting with rogue MILF commanders has undermined a six-year-old ceasefire and displaced tens of thousands of civilians. While President Arroyo voices continued firm commitment to a lasting agreement, and has named a new peace panel and carried out grass-roots consultations throughout Mindanao, government and MILF negotiators have failed to sit down with their Malaysian facilitators. A firmly reestablished cease-fire and renewed face-to-face discussions would create a more positive atmosphere for talks and allow thousands of civilians to return home. Meanwhile, the continued fighting in Mindanao has hampered extensive development efforts by USAID and other foreign donors that help alleviate the economic disparities that contribute to extremism. Deadly bombings during early July -- by a variety of actors, likely including the Abu Sayyaf Group and rogue MILF elements -- in Mindanao and the Sulu Archipelago have led to fears that a return to peace talks may be further delayed.

#### PROMOTING HUMAN RIGHTS

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16. (C) President Arroyo continues to express her unwavering commitment to making greater progress on the long-standing problem of extrajudicial killings, and has taken concrete steps in this direction. Partly due to increased attention by the Philippine government, the number of extrajudicial killings decreased dramatically through 2007 and 2008. While

many execution-style slayings among politicians and others are likely a result of local disputes and long-simmering feuds among rival clans, the government acknowledges the need to do more to ensure that all such crimes -- whether or not linked to security forces -- are fully investigated, and that those responsible are brought to justice. The Embassy continues to press the issue at the highest levels of the Philippine government, and has implemented a comprehensive plan of public outreach activities, training, and institution-building to make further progress in addressing the problem. Your visit will provide an opportunity to further underscore the need for renewed efforts to combat extrajudicial killings.

#### STRONG BILATERAL DEFENSE RELATIONSHIP CONTINUES

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17. (C) Despite court challenges to the Visiting Forces Agreement (VFA) and opposition from leftists to U.S. military presence, the Arroyo administration continues to demonstrate strong support for our military partnership. The robust U.S. military presence in the Philippines includes a joint U.S. Military Assistance Group (JUSMAG), Defense Attache Office, and approximately 550 Joint Special Operations Task Force-Philippines (JSOTF-P) personnel. Apart from JUSMAG's traditional role of training and military sales, we have focused on assisting the Armed Forces of the Philippines (AFP) with revising their doctrine to promote ethics and human rights. Members of JSOTF-P work side-by-side with Philippine troops in Mindanao and the Sulu Archipelago, advising and assisting them in counterterrorism operations. At the same time, our military closely cooperates with U.S. law enforcement and intelligence agencies to achieve important successes in counterterrorism efforts.

18. (C) Several large-scale bilateral exercises are conducted each year between U.S. and Philippine troops, along with dozens of other training activities, exchanges, and ship visits that often include civil-military operations. Humanitarian projects associated with the exercises have been welcomed by the Philippine government and population. More than 28,000 people received medical and dental care as part of the civil-military component of the Balikatan exercise that concluded at the end of April. Thousands more receive assistance each year through projects that JSOTF-P conducts in the southern Philippines with their AFP counterparts and through the more than 130 visits by U.S. ships.

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#### USAID'S ROLE

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19. (C) Since the mid-1990s, USAID has implemented a sizable and highly effective program throughout the island of Mindanao and the neighboring Sulu Archipelago provinces of Basilan, Jolo, and Tawi-Tawi. During this period, approximately two-thirds of USAID resources for the Philippines have been committed to these areas, complemented by 1207 funds, JSOTF-P activities (since 2002), and humanitarian missions such as the USNS Mercy. USAID-sponsored activities in these areas include infrastructure development, school computerization, health and education improvement, environmental management, former combatant reintegration, and governance. USAID financed the construction of more than 800 community-level and over 40 regional-impact infrastructure projects throughout the conflict-affected communities of the southern Philippines. The primary objective has been to encourage economic growth and demonstrate sustained commitment by the Philippine and U.S. governments to establishing security.

KENNEY